

California Use Tax Basics

Most retailers and their customers understand the basics of California's sales tax, which applies to the *sale* of physical merchandise, including vehicles, in the state. However they are often less clear about the state's *use tax*, which applies to the *use, storage, or other consumption* of those same kinds of items in California. While the use tax was originally put in place to protect California merchants from unfair out-of-state competition, it also applies to certain purchases made within the state.

Sales and Use TAX FACTS

Publication 110 • LDA

For additional information you may wish to order some of the resources listed in this publication or talk to a Board of Equalization representative. For assistance, please call 1-800-400-7115
(For the hearing-impaired:
— from TDD phone:
800-735-2929;
— from voice phone:
800-735-2922).
Internet: www.boe.ca.gov

When does use tax apply?

Use tax applies when you buy a physical product that will be *used, consumed, given away, or stored* in this state, under certain circumstances.

Use tax generally applies to

- California consumer or retailer purchases from out-of-state vendors who do not collect California tax on their sales (see *Notes*, below).
- Retailer use of items purchased using a resale certificate, including: withdrawing items from inventory for personal or business use, using an item before sale, or using an item in manufacturing unless it becomes a physical part of the final product sold. Demonstrating or displaying an item is generally not a taxable use provided the item remains for sale.
- Purchases of vehicles, vessels, mobile homes, and aircraft from sellers who do not hold seller's permits. For more information, please order one of our related publications (see reverse) or call our Consumer Use Tax Section at 916-445-9524.

The use tax is based on the item's purchase price.

Notes: While many purchases from out-of-state vendors are subject to use tax, special rules may apply (see publication 112, *Purchases from Out-of-State Vendors*). Special use tax rules also apply to purchases by insurance companies and to the use of heavy trucks and trailers. For more information, please contact our Information Center (see numbers at left and on reverse).

Who is responsible for paying the use tax?

The buyer of the item that will be used, consumed, or stored in California owes the use tax. In some cases, sellers must collect the use tax from their customers and pay it to us (see reverse).

Are the sales tax and use tax rates the same?

Yes. However, when use tax is due, the full tax rate for the location where the property will be *used, stored, or consumed* generally applies, regardless of where the sale takes place. All California sales and use tax rates are shown on our Internet site and in publication 71, *California City and County Sales and Use Tax Rates*. Special use tax rules for railcars, heavy trucks, trailers, and similar equipment are found in publication 44, *Tax Tips for District Taxes*.

BOARD OF EQUALIZATION MEMBERS

JOHAN KLEHS
1st District, Hayward

DEAN ANDAL
2nd District, Stockton

CLAUDE PARRISH
3rd District, Torrance

JOHN CHIANG
4th District, Los Angeles

KATHLEEN CONNELL
State Controller

Guidelines

This table is a general guide and does not address exemptions or exclusions that may apply in specific situations. Please contact us if you have questions regarding how tax applies to your purchase or sale.

Use Tax — When does it apply? How do you pay it?	
<i>Type of Taxable Transaction or Circumstance of Use, Storage, or Consumption</i>	<i>Reporting the Sale or Purchase and Paying the Use Tax Due</i>
<i>If you are a California business with a seller's permit</i>	
Taxable lease	<i>If you are the lessor:</i> Collect use tax from purchaser; report lease payments in "total sales" on sales and use tax return; pay tax with return. <i>If you are the lessee:</i> pay tax to the lessor. <i>Note:</i> you may owe the tax if the lessor doesn't collect it.
Taxable use, storage, or consumption of item purchased without payment of California tax (see reverse)	Report purchase on return as "purchase subject to use tax" and pay tax. You may be able to take a credit if you paid another state's sales or use tax (see return instructions).
<i>If you are a seller located in another state</i>	
Taxable sale to California customer, if you are engaged in business in California (have CA location, representative, or other nexus)	You <i>must</i> register, collect use tax from customers, and forward the tax to the Board with your tax return (see Regulation 1684)
Taxable sale to California customer if you are <i>not</i> engaged in business in California	You <i>may</i> voluntarily register to collect and pay use tax. If you do not collect the tax, your customer must pay it to us.
<i>If you are a California resident who is not required to hold a seller's permit</i>	
Purchase of merchandise from out-of-state retailer who does not collect California sales or use tax	Report the purchase using the form in publication 79-B. You may be able to take a credit if you paid another state's sales or use tax. If you make recurring taxable purchases, you may wish to obtain a Consumer Use Tax Permit.
Purchase from private party of vehicle, undocumented vessel (registered with DMV), documented vessel (registered with US Coast Guard), aircraft, or mobile home	Pay tax to DMV (vehicles, undocumented vessels); to us (documented vessels, aircraft); to a registered broker (documented vessels, aircraft); or to state Department of Housing and Community Development (mobile homes).

Related resources

Publications

- 44 Tax Tips for District Taxes
- 46 Tax Tips for Leasing of Tangible Personal Property in California
- 52 Vehicles and Vessels: How to Request an Exemption from California Use Tax
- 61 Sales and Use Taxes: Exemptions and Exclusions
- 79 Documented Vessels and California Tax
- 79A Aircraft and California Tax

- 79B California Individual Use Tax
- 105 District Taxes and Delivered Sales
- 112 Purchases from Out-of-State Vendors

Regulations

- 1684 Collection of Use Tax by Retailers
- 1685 Payment of Tax by Purchasers
- 1686 Receipts for Tax Paid to Retailers
- 1823 Application of Transactions (Sales) Tax and Use Tax
- 1827 Collection of Use Tax by Retailers (*district taxes*)

Note: The statements in this fact sheet are general and are current as of May 2000. The sales and use tax law and regulations are complex and subject to change. If there is a conflict between this publication and the law or regulations, decisions will be based on the law and regulations.